

Millennium Challenge Albania MONITOR



BIMONTHLY NEWSLETTER
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The two-year \$13.85 million Millennium Challenge Albania Threshold Agreement between the Government of Albania (GoA) and Millennium Challenge Corporation (MCC, www.mcc.gov), administered by USAID assists the GoA to reform and modernize tax administration, public procurement, and business registration, through IT solutions and legislative enhancements.

LEGISLATIVE DEVELOPMENTS

A new constitution for the tax administration in Albania

The enactment by Parliament on May 19 of the new tax procedures law, referred to by Prime Minister Berisha as the 'Tax Department's Constitution,' was a seminal event in modernizing the tax administration in Albania. The new law was developed through public hearings with and comments from the business community. Most international best practices of tax administration laws regarding enforcement, taxpayer rights, e-government, and departmental reorganization are now part of the law. Tax administration in Albania will become fairer and simpler, emphasizing principles of self-assessment and focusing on taxpayers' rights and obligations. The law entered in effect on June 25.

Strong incentive for e-filing

In May, the Minister of Finance eliminated the archaic verification process, which obliged VAT taxpayers to bring their books and records to their GDT inspector every month. Another personal contact between tax inspector and taxpayer has thus been removed. There are now fewer opportunities for corruption. This measure reinforces self-assessment, a crucial principle for a modern tax administration. It also adds to the incentives for e-filing, as VAT taxpayers who e-file now have no obligation to visit the tax office.

INSTITUTIONAL CAPACITY BUILDING

Getting ready to implement changes

Helping tax officials implement the new tax procedure law is key to making tax administration reform succeed. The project supported GDT in organizing a training of trainers on the law, the first in a series of five training of trainers' workshops on the main functions for a modern tax administration. A diverse group of 35 tax officials from the GDT headquarters and the regional tax offices attended the workshop and interacted with leading international and local experts who provided the training. In June, the trainees from this workshop started training other tax officials throughout Albania.

Contracting authorities master EPS usage

As more contracting authorities choose to use the Electronic Procurement System (EPS) to conduct their procurements, the project continues to provide training to public procurement units and tender commissions at the central and the local government level. According to the law, the PPA is responsible for the annual training, of all contracting authorities in basic procurement methods and the newly established e-procurement system. A total of 445 contracting authorities officials have been trained on their respective roles in the system and EPS functionalities.

Dear readers,

Allow me to extend my sincere greetings through this bimonthly newsletter of the Millennium Challenge Albania project.

The Albanian tax system, created in the early 1990's, does not have a long institutional history, yet certain features are already distinct. What we are promoting is the self-assessment approach, which will maximize budget revenues.

A government's fiscal policies depend on many factors, but a well-functioning tax administration is decisive for their successful implementation. This is our objective.

The tax administration considers the protection of taxpayers' rights as the fundamental requirement for its proper functioning, thus encouraging business development in general, establishing partnerships, ensuring transparency, eliminating corruption, as well as guaranteeing fair competition and providing equal treatment to all.

As Director of the General Directorate of Taxation (GDT), I am pleased to affirm that my staff remains fully committed to serving and cooperating with taxpayers, in order to promote voluntary compliance with the tax legislation.

Working with the Millennium Challenge Albania project, we are meeting taxpayers' requirements for easy, transparent procedures and information exchange based on best international practices. Taxpayers can now take advantage of our new electronic tax services accessible through our website: www.tatime.gov.al.

Our work is not done yet. However, with a new tax procedures law and electronic services in place, we can declare that the long lines at the tax offices to pick up tax forms and pay taxes are becoming a past memory for taxpayers.

On behalf of the tax administration, let me assure you that ethics and professionalism, accompanied by a forward-looking approach, are and remain the central tenets that inform our work.

Sincerely,
Arben SEFGJINI
Director, General Directorate of Taxation



MPs approve the tax procedures law.

Learn by experience

In May, the National Registration Center (NRC) held a project-supported advanced training for its staff to reinforce knowledge of business registration laws and regulations, as well as work through various case studies that are open to interpretation. The training also dealt with the impact of the new company law and the tax procedure law, combined with role-play simulations using the current NRC business registration system. All issues discussed at this training will be presented in a standard operating procedures manual, which will include solutions for the various case studies. The manual will serve as reference material that NRC staff can consult as questions arise.



GDT officials interact with international and local experts at the "Training of Trainers" session on the tax procedure law.

E-GOVERNMENT

Forms downloading and e-filing

The General Directorate of Taxation (GDT) has achieved substantially increased public usage of the e-governance services put in place by the project. Taxpayers downloaded 9,000 tax forms during May 2008, large increase from April; that number increased threefold to 34,910 downloaded forms in June 2008. With project help, the GDT provided hands-on e-filing training to nearly nine hundred accountants during May and June. The project and GDT are also



Prime Minister Berisha and USAID Administrator, Ms. Fore, unveil NAIS dedication plaque

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using taxpayer public outreach and meetings with tax officials to encourage e-filing, which further limits personal contacts, burden and bribes. As a result, in May and June together, the number of e-filings was 6,705.

First awards through the e-procurement system EPS

Through the end of June, all central government ministries have published at least one e-tender in the PPA web site. By this date, 72 e-tenders were posted in the PPA web site for a value of 49 million USD. The first contract awards for two e-tenders were published during this time as well. The Albanian Power Corporation (KESH) and the Ministry of Education announced the winning bidders of the e-tenders for purchasing respectively postal services and school office supplies.

More services offered through the NRC web site

The NRC web site currently offers several new services to businesses and the public. All business registration documents issued by Albanian courts prior to September 2007 and transferred to the NRC upon its inauguration have been scanned and indexed. These documents are now online at the web site, linked to the NRC database, and accessible to the public, thus, achieving a project goal of creating an online commercial registry. Businesses can now check the status of their registration online. Lists of all businesses with identical names registered at the court, all businesses in liquidation process, and all cancelled businesses are published at the NRC website. The Apply Online function has been tested and will be available in July 2008. A list of businesses that were registered in the Courts, before the advent of the NRC, but have never been tax-registered, will be soon published at the NRC website.

PUBLIC OUTREACH

Dedication ceremony for NAIS

An official dedication ceremony took place at the National Agency for the Information Society (NAIS) on May 19, marking the official transfer of ownership of the e-government services developed by the project to the Government of Albania. Attending the event were Prime Minister Berisha, USAID Administrator and Director of U.S. Foreign Assistance, Ms. Henrietta H. Fore, and USAID Albania Mission Director Mr. Edward Landau.

Stepping up public outreach efforts on e-filing

"Online tax declaration – Simple and fast!" – With this slogan advertised in city light stands in Tirana and Durrës and through a radio spot, the taxpayers' information campaign on e-filing supported by the project informs taxpayers on e-filing benefits and encourages them to use the system.

UPCOMING EVENTS

- The Prime Minister is expected to approve a plan directing reorganization of tax administration along functional lines, i.e. audit, collections, taxpayer services, and reducing the number of district tax offices to 13.
- Several key secondary legislation acts on the new tax procedure law are expected to be issued by the end of July.
- The countrywide training of GDT officials on the new tax procedure law will continue in July and August.
- Training of economic operators and contracting authorities on the e-procurement system will continue.
- A countrywide Taxpayers Education Campaign will be launched in early July.

"We see the success of [the National Agency for the Information Society] as our assurance that reforms now underway – and the e-governance systems underpinning them -- will be sustained after our assistance ends."
- USAID Administrator, Ms. Henrietta H. Fore.